

SECRET

COPY NO. 73
OCI NO. 0428/62

3 August 1962

CURRENT INTELLIGENCE WEEKLY SUMMARY



NAVY review
completed.

ARMY & DIA review(s)
completed.

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

SECRET

25X1

GROUP 1
Excluded from automatic downgrading
and declassification

37-228522/2

State Dept. review
completed

Page Denied

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****3 August 1962****THE WEEK IN BRIEF**
(Information as of 1200 EDT 2 Aug)**BERLIN AND GERMANY Page 1**

There are increasing indications that Khrushchev has concluded there is little chance of gaining a Berlin settlement on terms favorable to the USSR unless Moscow increases pressures against the West in Berlin. While the Communists may be preparing to associate the East Germans more actively with the administration of access controls, there are still no indications that a firm time for signature of a treaty has been set.

25X1

NUCLEAR TESTING AND DISARMAMENT Page 3

The USSR resumed nuclear tests at Semipalatinsk on 1 August. Testing in the Arctic will probably begin on or shortly after 5 August, when a ban on shipping and aircraft in the area goes into effect. At the 17-nation disarmament conference, while Moscow has apparently been marking time in anticipation of new Western proposals on test ban controls, it has adopted a moderate approach in the talks in hopes of undercutting the expected changes in Western positions.

SOVIET NAVAL DEVELOPMENTS Page 4

25X1

The USSR has, in the last two weeks, given considerable publicity to the growth of its naval strength, particularly the development of new and sophisticated weapons. Khrushchev and ranking Soviet officers witnessed naval exercises and a variety of missile firings--including launchings from submerged submarines--in the Northern Fleet area on 21 July. At the Navy Day show in Leningrad a week later, there were no major revelations; speeches and articles there and elsewhere on that occasion, while boastful of new weapons capabilities, generally stressed the defensive role of the navy.

25X1

CHINESE COMMUNIST MILITARY SITUATION Page 6

The Chinese Communist military build-up in June in the area opposite Taiwan and the offshore islands apparently was a precaution against possible Chinese Nationalist plans to exploit unrest on the mainland. Evidence is accumulating that the new units may be widely dispersed throughout the Foochow Military Region rather than concentrated for attack on Taiwan or the offshore islands.

25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 August 1962

EAST EUROPEAN CROP OUTLOOK FOR 1962 Page 7

The 1962 harvest in the European satellites will probably be less than 1961's. Unfavorable weather is mainly responsible, but farm organizational problems created by collectivization drives have caused a decline of grain acreage in East Germany, Czechoslovakia, and Hungary. Restrictions on purchases of butter, meat, and potatoes have been imposed on consumers in East Germany, but formal rationing has not yet been introduced in any of the satellites.

25X1

BULGARIAN MEASURES TO INCREASE AGRICULTURAL PRODUCTION . . . Page 8

In raising retail prices for some meat and dairy products on 30 July and increasing prices paid to farmers for the same products, the regime apparently is trying among other things to force the consumer to pay part of the cost of these new incentives to step up farm productivity. Any lasting improvement in the production of these products, however, will require a significant increase in agricultural investment and the adoption of measures to increase fodder supplies. The retail price increases will be unpopular--particularly among urban consumers, who will feel the pinch most--and will intensify dissatisfaction with the regime's economic policies.

25X1

THE FOURTH PLENUM OF THE YUGOSLAV CENTRAL COMMITTEE Page 9

The meeting of the Yugoslav party's central committee in Belgrade on 22 and 23 July produced no startling policy changes but did reaffirm the regime's basic program for economic and political decentralization. The central committee met to hear its leaders appraise the progress made in overcoming the country's economic difficulties and to receive instruction from politburo member Aleksander Rankovic on revitalization of the party. Tito, in an extemporaneous harangue concluding the plenum, made it clear he was not pleased with most of the work of the meeting. As a result of his remarks, a thorough re-evaluation of the program for decentralization will probably be undertaken with a view to refining and extending it.

25X1

LAOS Page 10

No real progress has yet been made toward administrative and military integration of the three factions of the month-old coalition government. Sporadic military clashes still occur, and Pathet Lao propaganda accuses Phoumi and the US of attempting to sabotage the coalition and of continuing military activities.

25X1

SOUTH VIETNAM Page 11

The first night helicopter operation by the South Vietnamese resulted in significant victory for government forces, but small-scale Communist attacks continue unabated. There is some indication that the Viet Cong are in the process of forming regimental units. Recent political arrests indicate Diem's concern over potential coup plotters and neutralist elements.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 August 1962

WEST NEW GUINEA Page 12

Indonesian and Dutch negotiators reached a preliminary understanding on West New Guinea on 31 July, and U Thant has prepared a complementary "letter of understanding" on transfer modalities. The home governments will probably soon approve the arrangement, thus reducing the likelihood of a large-scale attack on the island by the Indonesians. They may, however, find some pretext to continue small-scale infiltrations. [REDACTED]

25X1

SYRIA Page 13

Nasir's declaration that the Syrian and other "reactionary" regimes must be overthrown has spurred the Syrians to call for an emergency session of the Arab League Council to charge the UAR with subversion. Cairo is stepping up its pressures against Syria in an effort to reverse the decline in pro-UAR sentiment and to reduce the effectiveness of current measures by the Syrian regime to crack down on pro-Nasir agitators and on Nasir sympathizers in the army. Meanwhile, the regime is showing enough confidence in its position to relax its curbs on political activity--a move which is likely to stimulate political infighting. [REDACTED]

25X1

CONGO Page 14

Adoula's announced intention to produce a new federal constitution for the Congo has been favorably received by Tshombé, but it is unlikely that when the two leaders get down to specifics their differences will be easily resolved. Tshombé remains confident of his position and continues to support maneuvers by anti-Adoula politicians in Leopoldville. U Thant and his Congo Advisory Committee are opposed to the use of force against Tshombé, but believe that present UN mandates give the secretary general sufficient authority to use economic pressure. Brussels, London, and Paris strongly oppose using military force, and are cool toward the use of economic pressures to end Katanga's separatism. [REDACTED]

25X1

ALGERIA Page 16

The "full agreement" between Algerian political leaders announced on 2 August appears to be a temporary solution prompted by the realization that the prolonged dispute had aroused public indignation. The compromise accepts as the country's interim government the seven-man political bureau formed by Ben Bella on 22 July, but powerful Vice Premiers Belkacem Krim and Mohamed Boudiaf will probably continue to oppose Ben Bella's efforts to gain control of the country. Political maneuvering will continue to hamper the restoration of effective government. Officers of the Algerian National Army, now conscious of their power as arbiters, may resist establishment of a civilian government which would reduce their personal power. [REDACTED]

25X1

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 August 1962

FRANCE-TUNISIA Page 18

The July consultations between French President de Gaulle and Tunisian Defense Secretary Ladgham resulted in the renewal of diplomatic relations between the two countries and apparently convinced Tunisia that France would evacuate the Bizerte base in the near future. The consultations and resultant agreements were influenced by the Algerian situation. Tunisian President Bourguiba wants to regularize relations with France in order to strengthen his hand in dealing with Algeria, while De Gaulle is reluctant to set a precise date for evacuation so soon after granting Algerian independence and prior to the formation of an Algerian government.

EUROPEAN POLITICAL UNION DEVELOPMENTS Page 19

Belgium's Spaak has been pushing a new proposal in recent weeks intended to resolve the differences regarding European political union which led to the breakoff of negotiations last April. He views his idea for a "political commission" as a middle way between the federalist approach to union and the antifederal bias of De Gaulle.

The procedural problem of how to include Britain remains in any case an obstacle to any new round of negotiations.

INCREASING PORTUGUESE PROBLEMS WITH OVERSEAS TERRITORIES . Page 20

Frictions are increasing within the Salazar regime over policy toward Portugal's overseas territories. Premier Salazar is reported to have intervened personally to annul recent moves taken under the authority of Overseas Minister Moreira to institute various reforms within the territories. This produced a near crisis in Angola, and there are increasing signs of unrest in Portuguese Guinea and dissatisfaction in Mozambique. If Salazar continues to block Moreira's reform program, unrest will increase in the territories. This in turn will increase opposition to Salazar in Portugal.

PERU Page 21

The military junta which seized power on 18 July seems firmly established and in control of the domestic situation. It has received pledges of support from all influential groups except APRA, which has decided to confine its opposition activities to "political" criticism. The release of President Prado on 29 July has eliminated a major cause of international criticism, and many free-world countries probably will resume diplomatic relations within a week.

~~SECRET~~

DDI/EEC

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 August 1962

PROSPECTS FOR THE NEW ADMINISTRATION IN COLOMBIA Page 22

President-elect Valencia of Colombia assumes office on 7 August, succeeding Lleras Camargo for a four-year term. Continued stability in the country will depend largely on how successfully Valencia maintains unity within the National Front coalition which has governed Colombia since 1958. Among the serious problems facing the new administration are the increase in rural violence, decreasing world coffee prices, and a growing balance-of-payments deficit.

25X1

CUBA'S 26 JULY CELEBRATIONS Page 23

Domestic and foreign observances in connection with the ninth anniversary of the Castro revolution were generally quiet and contained no surprises. Fidel Castro's 26 July speech in Santiago de Cuba, aside from hints that the domestic rationing system would be extended to include clothing and other consumer goods, consisted mainly of reiterations of standard propaganda themes. Observances elsewhere in Latin America were generally unspectacular. Most bloc nations sent congratulatory messages to Cuban leaders, and in Moscow presidium member Frol Kozlov stated during a Cuban Embassy reception that past Soviet "guarantees of military aid" to Cuba in the event of foreign intervention were still in effect.

25X1

SPECIAL ARTICLES

KHRUSHCHEV TIGHTENS CONTROLS OVER SOVIET FARMS. Page 1

Khrushchev has greatly strengthened party control over the countryside and further centralized agricultural management in an effort to increase output dramatically without diverting resources from industry and the military establishment. Little result is likely, however, until he abandons bureaucratic reshuffling of the same old personnel and begins to provide more machinery and fertilizer and greater incentives for the farmers.

25X1

STRATEGIC HAMLETS AND COUNTERINSURGENCY IN SOUTH VIETNAM. Page 6

Since last January the South Vietnamese have been pushing on a crash basis the creation of strategic hamlets--small fortified communities with some self-defense capability--as a major element in their campaign against the Viet Cong insurgents. The program is designed to help isolate Viet Cong troops from the peasantry, to expand the government's control over the countryside, and to release more regular troops from static defense for offensive actions. Some 2,400 strategic hamlets have already been created, and by the end of 1962 Saigon hopes to bring into the program nearly half of the country's 16,000 hamlets. The hamlets are organized locally with local resources, and vary widely in effectiveness. They have not been integrated into regional and provincial military planning, and like some other similar projects, many suffer from lack of peasant support.

25X1

SECRET

v

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****WEEKLY REVIEW****BERLIN AND GERMANY**

There are increasing indications that Khrushchev has concluded there is little chance of gaining a Berlin settlement on terms favorable to the USSR unless Moscow greatly increases pressures against the West in Berlin. Soviet leaders probably consider this course the best means to probe for Western reaction to various encroachments on the West's interests and may even hope in this manner to establish precedents for a number of restrictions they would like to see written into a peace treaty with East Germany.

In the wake of the Rusk-Gromyko talks, Izvestia on 28 July published an authoritative article which underscored Moscow's unyielding attitude on Berlin. The article reflected the USSR's growing conviction that the present form of negotiations with the West affords little prospect for meeting Communist demands, but nevertheless was careful not to close the door completely to further diplomatic contacts. Izvestia attempted to convey, however, that such talks must be concerned with a resolution of the Berlin problem on Moscow's terms.

The article criticized recent Western press commentary which questioned the usefulness of further talks and asserted that "it is not too late" for the US to become "sensible" on the issue of Western forces in Berlin before the conclusion of a peace treaty with East Germany. It bluntly reaffirmed Gromyko's firm position in Geneva that the USSR

intended to sign the peace treaty and declared that it would not be "an act of formality," pointing out that the West would then have to deal with East Germany. The article lashed out at Western press reports which have speculated that the USSR could be "mollified at the last moment," emphasizing that "nothing could be more foolish and dangerous."

Although the US Embassy in Warsaw has reported rumors of a bloc conference on Germany to be held sometime this summer in Prague, there are no indications that Moscow has established a firm time for signing a peace treaty. Before proceeding, Soviet leaders will undoubtedly continue to weigh carefully the Western response to specific courses of action. Nevertheless, the British ambassador in Moscow and Ambassador Thompson have both concluded that Khrushchev plans to sign a separate treaty if there is no movement on Berlin by the end of August.

The official announcement on 1 August that East German party leader Ulbricht and Acting Premier Willi Stoph are flying to the USSR, presumably to meet with Khrushchev, also appears intended to increase apprehension in the West concerning the Berlin situation. The East Germans will probably be briefed on Moscow's assessment of the Rusk-Gromyko talks by Khrushchev, who is en route to Sochi for a month's vacation, and may review with him the character and timing of the bloc's next moves on Berlin.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

There are indications that preparations are being made by the Communists which may be intended to associate the East Germans more actively with the administration of access controls either before or after signature of a treaty. The US mission in Berlin has received a number of reports that the East Germans are streamlining their control procedures over non-Allied passenger traffic on the ground access routes into West Berlin. Assigning the East German Ministry of State Security a greater measure of authority over those procedures would be designed to provide tighter control in the event the East Germans assume wider responsibilities from the USSR.

Since mid-May East German authorities have been fortifying and deepening defenses along the Berlin Wall. The US mission points out that while these fortifications reduce the possibility of incidents, they may also be aimed at preventing a breakout by the East German population in the event of a crisis. The Soviets and East Germans appear in addition to be strengthening their positions along the entire 850-mile zonal border with West Germany.

The Berlin mission has a reliable report that all homes for the aged, nurseries, and hospitals located in a 5-kilometer security zone adjacent to the border are to be evacuated by 31 August. The ostensible reason given for the move was that a "concentration of manpower" was expected after 1 September.

The mission speculates that, if the Soviet Union is preparing gradually to extend East German sovereignty over the land access routes into West Berlin, a likely period for this would be just before or during the fall military maneuvers in September and October.

In its efforts to probe the Western powers for possible concessions while it deliberately increases tensions in Berlin, the USSR has sharpened its campaign to erode certain aspects of the four-power responsibility for Berlin. General Yakubovsky, commander of Soviet forces in East Germany, on 25 July sent almost identical notes to his US and UK counterparts in West Germany protesting the alleged violation by Western aircraft of established air corridor procedures.

Yakubovsky's action marks the first time in the past few years that the Berlin commandants have been bypassed on an issue which belongs strictly within their jurisdiction. Yakubovsky functions as the senior Warsaw Pact commander in the Soviet zone and, in attempting to assume responsibility for actions within Berlin, is laying the groundwork for a Soviet contention that the Warsaw Pact states, including East Germany and the NATO powers, including West Germany, should together resolve any problems affecting West Berlin. The Soviets would view any concession from the West on this question as undermining the quadripartite status of West Berlin.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

NUCLEAR TESTING AND DISARMAMENT

The USSR resumed nuclear testing at Semipalatinsk on 1 August. Testing in the Arctic will probably begin on or shortly after 5 August, the day a ban on shipping and aircraft in the area goes into effect.

At the 17-nation disarmament conference, the Soviet Union is apparently marking time until it has had an opportunity to assess the anticipated new Western proposals which most neutrals feel will offer a reduction in the West's demands for international verification of suspicious seismic events. To undercut the expected changes in Western positions, Moscow is adopting a moderate approach and attempting to appear serious in discussing the military and strategic factors which are at the heart of a disarmament agreement.

The neutrals have commented that Soviet delegate Zorin's latest approach, which included intimations that the USSR would be willing to extend its time limit of 15 months for the implementation of the first stage of a disarmament treaty, has made an impact. On 27 July, Zorin moved into a discussion of the reduction of military forces under the first stage of the proposed Soviet draft disarmament agreement. Zorin attempted to demonstrate that after the first stage is put into effect only reduced land armies would remain, resulting in a balance of forces between NATO and Warsaw Pact powers.

However, the Soviet delegate reiterated Moscow's demand for the elimination of all foreign bases in Stage I and left unresolved the massive verification problems posed by the USSR's plan.

The Soviet Union may be seeking to obtain neutralist approval for recessing the disarmament talks in order to move them into the more advantageous propaganda forum provided by the United Nations. According to the Italian delegate, Soviet Foreign Minister Gromyko indicated in Geneva that since all nations should have a chance to discuss disarmament at the UN, the talks should go into recess when the 17th General Assembly session convenes in September. One Soviet representative in Geneva expects the next recess to begin on 1 September.

Gromyko and other Soviets have been vague on a firm date for the resumption of the Geneva talks but probably hope for a lengthy recess in order to make use of the UN platform for attacking US positions and for seeking endorsement of general resolutions supporting Soviet views on partial disarmament measures.

However, in order to appear responsive to the neutralist hope for a short recess, Soviet representatives in Geneva have recently hinted at early November as a target date for resuming the disarmament talks.

25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

SOVIET NAVAL DEVELOPMENTS

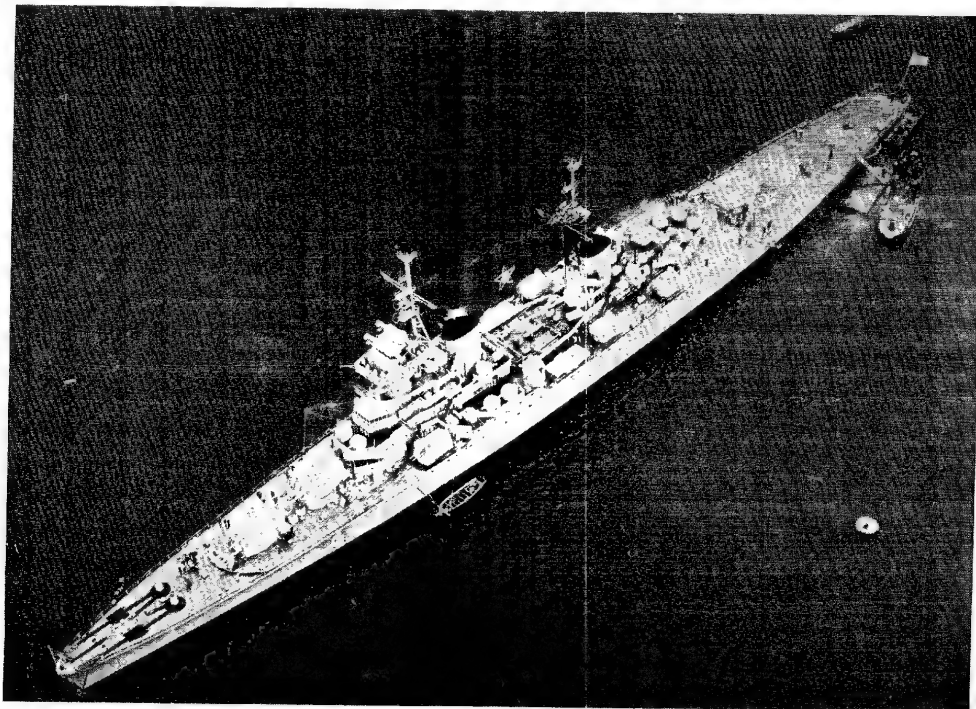
The growth of Soviet naval strength, particularly the development of new and sophisticated naval weapons, was given considerable prominence in the publicity connected with Soviet Navy Day on 29 July and with the exercises and missile firings on 21 July in the Northern Fleet, which were witnessed by Khrushchev. Soviet announcements of these activities stressed air, surface, and particularly submarine missiles as well as the capability of Soviet submarines to operate anywhere in the oceans and under polar ice.

Despite such boasts, Soviet pronouncements generally stressed the defensive role of the navy. Defense Minister Malinovsky, in his 29 July Order of the Day, declared,

"The Soviet state is using its constantly growing strength to secure a lasting peace on earth and prevent a new world war." Admiral Zozulya, chief of staff of the Soviet Navy, stated, "The Communist Party of the Soviet Union, the Soviet Government, and the Soviet people are doing their utmost to make the Soviet armed forces strong and equip them with all modern means of defending the country."

Northern Fleet Exercises

The naval display was observed by Khrushchev from the deck of the Sverdlov cruiser Ushakov. His party included Defense Minister Malinovsky, Navy Commander in Chief Admiral Gorshkov, and Army General Yepishev, chief of the Main Political Directorate.



Khrushchev and Malinovsky watched Northern Fleet exercises from the Sverdlov cruiser Ushakov, similar to the one shown here.

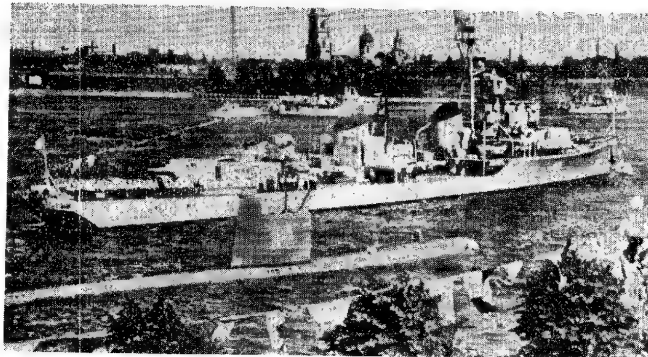
25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

Soviet press releases indicated that missiles were launched from submerged and apparently nuclear-powered submarines and included a missile launching by a surface unit--possibly the new heavily armed Kynda-class destroyer.

On the day of Khrushchev's visit, three submarine officers were awarded the title of Hero of the Soviet Union for carrying out "a special government mission," and a number of enlisted men were also decorated.



This small (medium range) Q-Class submarine 329 displayed at Leningrad on Navy Day was described by some Western observers as resembling US nuclear-powered submarines. The Q's are diesel propelled. 25X1
SECRET

Navy Day

Reports available to date indicate that the hardware displays on Navy Day were relatively insignificant, particularly when compared with last year's. In Leningrad, where a naval parade up the Neva River is customarily held, only 15 combat ships were exhibited, including a Q-class medium submarine, three other conventional submarines (probably W-class units), a Kirov-class cruiser, and ten destroyers and minesweepers. All were said to be conventionally armed and propelled, and one observer stated that the most interesting ship on the Neva was the old museum piece, the cruiser Aurora.

TASS reported other naval parades in Sevastopol, Murmansk, Vladivostok, and in the Amur Bay. Except for the Northern Fleet parade at Murmansk, only one rocket-armed ship was mentioned--at Sevastopol. 25X1

The correspondent also wrote that he had observed the loading on a submarine of a "huge ballistic rocket designed to destroy larger areas thousands of kilometers away."

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

CHINESE COMMUNIST MILITARY SITUATION

The Chinese Communist military build-up in June in the area opposite Taiwan and the offshore islands apparently was a precaution against possible Chinese Nationalist plans to exploit unrest on the mainland. No additional Communist ground force units appear to have moved into the Foochow Military Region during the past month, and there has been no evidence of preparations for an imminent assault against the offshore islands.

attack on the mainland, and on the Communist ability to repel any assault. Reports that civilian evacuation from some points along the Fukien coast has been postponed suggest that the urgency of Peiping's concern over an attack has diminished.

25X1

In an informal new conference on 23 July, however, Chen chose to keep the West guessing on Peiping's current intentions in the Taiwan Strait by asserting that the military buildup could be termed neither "defensive nor aggressive." He did indicate that Peiping regarded the presence of United States armed forces in the Taiwan Strait area as the principal bar to a Communist "liberation" attempt, and implied that because of the present military balance, Communist China continues to take a long-range view of the Taiwan problem. According to Chen, Communist China can wait "ten or twenty years if necessary" to achieve its goal.

25X1

Chinese Communist propaganda on the Taiwan Strait situation has receded considerably during the past two weeks; references to it continue to focus on alleged Nationalist plans for an

* * *

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

EAST EUROPEAN CROP OUTLOOK FOR 1962

The 1962 harvest in the European satellites will probably be less than 1961's. Unfavorable weather is mainly responsible, but farm organizational problems created by collectivization drives have caused a decline of grain acreage in East Germany, Czechoslovakia, and Hungary.

Droughts and unusually cold weather throughout the satellites during the fall of 1961 and spring of 1962 adversely affected the small grain crops--rye, barley, wheat, and oats. Bulgaria, Czechoslovakia, Hungary, and Poland have already indicated that their small grain harvests for 1962 will not equal last year's crops, and Rumania's may be 5 to 10 percent less than in 1961. Albania, however, has implied that its small grain harvest should be at least as good as the favorable one in 1961. East Germany's grain crop probably will be better than last year's very poor harvest, but import requirements in 1962 will continue to be heavy.

Fall-sown grains in Hungary and Czechoslovakia were affected adversely by the prolonged fall drought in 1961 and by December's freezing temperatures. Recurrent freezing and thawing also damaged grains sown last fall in East Germany. Prospects for spring-grown grains also were reduced by late planting--spring was about three weeks late in all countries except Albania--followed by an unusually dry and cool period for Hungary, Bulgaria, and Rumania. Drought conditions were reported in Rumania and Bulgaria.

A late freeze in May destroyed considerable areas of

early-sown vegetable crops in East Germany, Hungary, and Poland, while planting of potatoes, sugar beets, and corn was delayed in the northern satellites. The Hungarian, East German, Czechoslovak, and Bulgarian regimes have urged collective farmers to sow larger areas to late summer fodder and vegetables to compensate for the failure to meet planned goals of spring-sown crops.

Production of East Europe's major fodder crops--corn, potatoes, fodder beets--will depend on weather conditions in July and August. Because moisture reserves are already low, above-normal amounts of rainfall are needed in August to prevent serious shortfalls in Hungary, Rumania, and Bulgaria, the major corn producers.

The output of livestock products during the first half of 1962 has been adversely affected by low stocks of fodder in Czechoslovakia, Hungary, and East Germany. Meat, eggs, and milk production have not shown the normal seasonal upturn in these countries, and it is doubtful that these production losses can be recovered during the latter half of 1962.

Scarcities of food have not resulted in introduction of formal rationing in any of the satellites. There are restrictions, however, on consumer purchases of butter, meat, and potatoes in East Germany. A tighter food supply situation may develop in Czechoslovakia before the end of the year. The impact of fodder shortages on livestock products in Poland, Hungary, Rumania, and Bulgaria could force cutbacks in the exports and domestic supplies of these countries.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****BULGARIAN MEASURES TO INCREASE AGRICULTURAL PRODUCTION**

In raising retail prices for certain products on 30 July and increasing prices paid to farmers for the same products, the Bulgarian Government apparently is attempting among other things to force the consumer to pay part of the cost of these new incentives to step up farm productivity. Any lasting improvement in the production of these products, however, will require a significant increase in agricultural investment and the adoption of measures to increase fodder supplies.

The retail food price increases are mainly for meat and dairy products. The price of poultry increased 27.2 percent, other meats 23.7, meat products 25.4, dairy products 31.8, and eggs 11.5 percent. Prices of other basic foods were not changed. The regime hopes that the price rises will force many consumers to buy less meat and dairy products in favor of other more plentiful foods.

In addition to establishing higher prices to be paid to farmers for certain products, the state has lowered prices for construction materials, fertilizers, petroleum products, and other supplies used by collectives in order to decrease their production costs. Effective 1 January 1963, collective farmers will be paid a guaranteed minimum wage, and taxes on collective farm incomes are to be reduced. These incentive measures are designed to stimulate production.

The regime has also taken steps to change the distribution pattern of worker and pensioner income in 1963. It claims these steps will reduce the impact of the price rises on lower-income groups to put the burden on those with higher wages and pensions. Income taxes for lower income groups are to be

reduced and family allowances increased. Pensions of low-income groups are to be raised next January. A reduction is to be made in higher salaries and pensions to help defray the cost of the incentive program.

Sofia had previously introduced measures to increase agricultural incentives. Early in 1961 purchase prices for some food products were raised, and pension and social security programs for collective farms broadened. The government, however, now admits that past measures did not increase incentives sufficiently or provide the agricultural sector means for expansion.

In an appeal accompanying the latest announcement, the Council of Ministers denied that food production has decreased and attributed food shortages to increased purchasing power of the population. The appeal exhorted farmers to increase productivity, and stated that present increases in retail prices of some foods are only temporary.

Price increases are bound to be unpopular, particularly among city inhabitants who will feel the pinch most, and will intensify current dissatisfaction with the regime's economic policies. Moreover, urban dwellers are likely to resent a raising of farm incomes at their expense. The average Bulgarian urban family spends over 40 percent of its income on food and approximately one quarter of its food budget on items now subject to price increases. Since the beginning of the year the cost of living has risen. Because the regime's measures to soften the effect of price increases on low-income groups will not be effective until 1963, the price rises will reduce real incomes in the short run.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

THE FOURTH PLENUM OF THE YUGOSLAV CENTRAL COMMITTEE

The meeting of the Yugoslav party's central committee in Belgrade on 22 and 23 July produced no startling policy changes but did reaffirm the regime's basic program for economic and political decentralization. The central committee met to hear its leaders appraise the progress made in overcoming the country's economic difficulties and to receive instruction from politburo member Aleksander Rankovic, Tito's heir apparent in the party, on revitalization of the party; the government has already been reorganized. Tito, in an extemporaneous harangue concluding the plenum, made it clear he was not pleased with most of the work of the meeting. As a result of his remarks a thorough reevaluation of the program for decentralization will probably be undertaken with a view to refining and extending it.

Last year's efforts toward economic liberalization and reform were hampered in part by the loss of elan, efficiency, and unity in the Yugoslav League of Communists. There were frequent references by plenum speakers to corruption, republican nationalism, and complacency on the part of party members and organizations.

To deal with these weaknesses, Rankovic ordered a thorough shake-up of the party. All phases of party operations are to be studied with an eye to reorganization. Party leaders are to relinquish their governmental and other posts so that they may be free to perform their party tasks more effectively. Rotation of party posts is to begin, and the way is to be cleared for the rise of postwar party members into the leadership. Inactive and incompetent party members are to be weeded out.

None of the economic reports to the plenum questioned the basic soundness of the regime's program for economic liberalization and reform. Instead they proposed generally sound steps to meet the most pressing economic problems. Self-sufficiency in wheat, for example, is to be achieved by increasing acreage devoted to its cultivation and the incentives to farmers to

grow it. Investments in industry will be made where they will yield the fastest return. The overambitious Five-Year Plan (1961-65) will be scrapped, and a new, "realistic" Seven-Year Plan (1964-70) will be prepared. The plenum was also given a preview of the targets of the 1963 plan which, although less ambitious than those of 1962, are considerably higher than the accomplishments of the past 18 months.

Tito's displeasure apparently stemmed from the failure of central committee members to comment at the plenum on the basic issues involved in Yugoslavia's current problems. He claimed there was opposition within the party to his policies, and delivered a strong defense of decentralization, workers' councils, and the role of the party in guiding rather than managing Yugoslav society. His specific suggestions to the plenum appear to portend further decentralization of Yugoslavia's economic operations. He put forward for later consideration, for example, the possibility of making the industrial enterprise the basic unit of society rather than the opstina--Yugoslavia's smallest territorial-economic unit. The enterprises, through their workers' councils, are already theoretically self-governing units. In line with Tito's most recent proposal, they would have their administrative and financial powers broadened and be urged to carry on foreign trade directly without export-import middlemen.

Although the time appeared ripe for a report on Yugoslav-bloc relations, none was made public. Primary mention of the bloc came in a denial--in rebuttal to certain charges from "abroad"--that Yugoslav policy changes were in any way connected with Belgrade's improved relations with Moscow. Although Tito urged that Yugoslav enterprises increase their cooperation with bloc firms, he stated that Yugoslavia's trading future lies with the underdeveloped states. To this end, Belgrade will continue and perhaps increase its credits to these states for the purchase of Yugoslav capital equipment.

SECRET

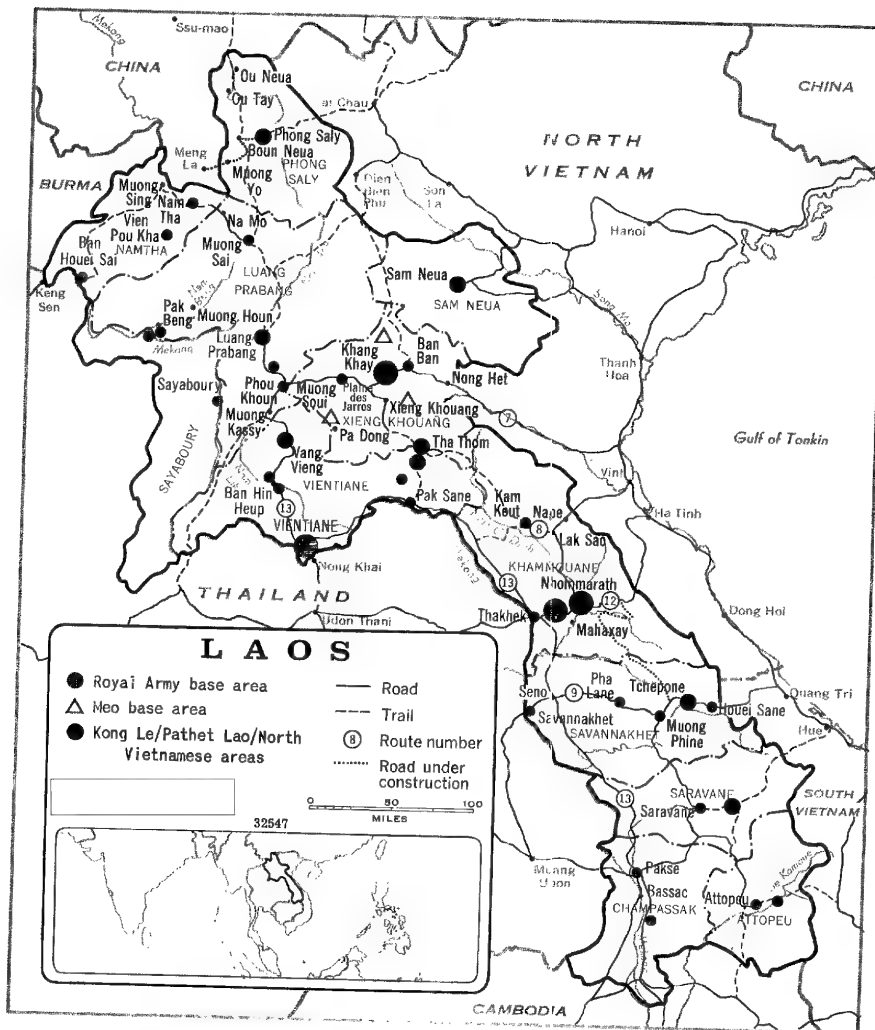
25X1

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****LAOS**

The month-old coalition government continues to exist essentially in name only. No real progress has yet been made toward administrative and military integration of the three factions. Meetings of mixed committees established to perfect the cease-fire and to arrange for national unity have been given over largely to the filing of recriminations and complaints by the various representatives. Premier Souvanna Phouma's return to Laos early this month, how-

ever, may facilitate more meaningful sessions.

While the military situation remains generally quiet, sporadic clashes between opposing forces continue. Souphannouvong's reference to isolated Phoumi units located behind the general cease-fire lines as "pirates" implies that mopping-up operations against them will continue. Pathet Lao propaganda, meanwhile, accuses General Phoumi and the US of attempting to



25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

sabotage the coalition and of continuing "provocative" military activities. These accusations charge designs to create an anti-Communist buffer zone in southern Laos, an area in which the Pathet Lao and supporting North Vietnamese military elements appear themselves intent on consolidating control over strategic trails near the South Vietnamese and Cambodian border.

The Geneva accords signed on 23 July stipulate that all

foreign forces must be withdrawn from Laos by 6 October, but monitoring of the movements of the approximately 10,000 North Vietnamese troops there will be extremely difficult. In addition to the inherent problems of rugged terrain and poor communications, the Pathet Lao are expected to attempt to prevent effective surveillance within their controlled territory by the International Control Commission. [REDACTED]

25X1

SOUTH VIETNAM

In their first night helicopter operation, South Vietnamese security forces conducted a highly successful search and clearing mission in Kien Tuong province southwest of Saigon on 20-21 July. Viet Cong losses reportedly included 131 killed and 48 captured, while government forces suffered only 13 casualties. Saigon has played up the action with victory parades to bolster public confidence.

The Viet Cong nevertheless continue their widely scattered small-scale attacks. Rail sabotage or train ambushes are the most significant actions. In

several instances government aircraft have recently encountered tracer ammunition during close support operations, indicating that the Viet Cong are making better use of their weapons.

The Viet Cong may be making progress toward the formation of regiments in developing their military organization. In May 1962, [REDACTED] reported the existence of what may be a cadre for regiments in the northern part of the country. Regiments are not yet accepted in the Viet Cong order of battle and any regimental-level staffs now in existence are probably coordinating the independent operations

25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

of several international battalions within a given territorial command.

Local criticism of Diem has increased as a result of some 30 political arrests in the past few weeks. The arrests are ostensibly made for the purpose of questioning opposition elements before the forthcoming trials of participants

in the abortive coup of November 1960. They also reflect an effort by the government to round up neutralists and potential coup plotters. There have been no recent reports indicating serious efforts to plan the government's overthrow, but Saigon is apparently concerned that neutralist sentiment is growing in educated circles.

25X1

WEST NEW GUINEA

Indonesian and Dutch negotiations reached a preliminary understanding on West New Guinea on 31 July, and UN Acting Secretary General Thant has prepared a complementary "letter of understanding" on transfer modalities. The respective home governments have not approved the arrangement, but early consent is likely. Sukarno probably will abandon his demand for turnover of West New Guinea's administration to Indonesia by the end of 1962, since Thant has agreed that the Indonesian flag will be flown beside the UN flag beginning 1 January 1963.

According to the 25-point understanding, top Dutch officials in West New Guinea will be replaced as soon as possible by a UN administration employing non-Dutch, non-Indonesian officials in the higher echelons and a maximum number of native Papuans. Indonesians may be used at lower levels. After

1 May 1963, the UN administrator may, at his discretion, transfer all or part of the administration to Indonesia. Procedures to permit self-determination of the Papuans must be completed no later than 1969.

Indonesia's Foreign Minister Subandrio expects to return to New York on 12 August for a few days of formal negotiations and for the signing of the agreement on 15 August. Other members of the Indonesian delegation have remained in Washington for continued technical discussions.

The near-resolution of the dispute reduces the likelihood of any large-scale attack on West New Guinea by the Indonesians, but they may find some pretext to continue small-scale infiltrations.

25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

SYRIA

Nasir's public declaration on 26 July that the Syrian and other "reactionary" regimes must be overthrown has spurred the Syrians to call for an emergency meeting of the Arab League Council to levy charges of Egyptian subversion and terrorism.



Nasir's invigorated drive against the Qudsi-Azmah government appears to stem in part from the decline in pro-Nasir sentiment in Syria. Pro-Nasir elements there are being vigorously suppressed. The roundup of pro-Nasir agitators has included a number of hitherto "untouchables"--several political leaders and some of the country's more prominent labor leaders who recently organized political strikes and demonstrations.



While the majority of the lower class remains devoted to Nasir, it is disorganized and leaderless.

Manifesting increasing assurance, the regime has relaxed censorship, diminished the civil powers of the military, and decreed a new law which will permit political party activities, the first since Nasir banned them in the spring of 1958. Accompanying the government's growing self-confidence has been an increase in domestic political rivalries. Conservative politicians are registering their

impatience with the wielding of power by an unconstitutional cabinet backed by the military. They are agitating for the return of the parliament ousted in the March coup. The socialistic Baath party remains split into a faction led by the violently anti-Nasir Akram al-Hawrani and one led by Michel Aflaq and Salah al-Din Bitar which, while somewhat disillusioned with Nasir, still is dedicated to the concept of Syro-Egyptian unity.

In contrast, former Prime Minister Khalid al-Azm, one of Syria's most astute politicians, feels that increased political freedom should be postponed to a later date in the face of Nasir's new offensive. He is pushing for the formation of a "national front" consisting of the bulk of the old-line Populist and Nationalist parties, plus certain independents. This grouping, presumably led by Azm, would oppose Hawrani's Baathist faction and other lesser groups. Azm's design may well founder on the old Populist-Nationalist rivalry, and by excluding Hawrani leaves out one of the most vocal and effective anti-Nasir forces.

While there is said to be some friction between President Qudsi and Prime Minister Azmah, it does not appear sufficient to bring about an early fall of the cabinet. The cabinet itself, however, is split between conservative and socialistic elements, and friction will grow as time passes and the prospect of new parliamentary elections increases.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****CONGO**

Adoula announced on 28 July that he intended to present a new constitution for parliamentary approval in September. The proposed draft reportedly would provide for a greater degree of provincial autonomy than the Belgian-drafted Loi Fondamentale under which the Congo now operates. Leopoldville has asked the UN to select specialists to help, and the Secretariat is now trying to recruit Swiss, Nigerian, and Canadian experts on federalism.

Tshombé responded favorably to Adoula's announcement, but said he would await a show of the premier's sincerity. Tshombé's request that representatives of all six provinces participate in writing the constitution would, if accepted, probably impede progress. Ambassador Gullion has warned that the politically weakened Adoula probably cannot afford extended discussion of constitutional principles, and UN Acting Secretary General Thant suggests that for the same reason Adoula may not be able to make any important concessions.

Adoula, who is very discouraged with the slow progress on the Katangan problem, may still be thinking of trying to exert more pressure on Tshombé by attempting new attacks in northern Katanga. The movement last week of the Fifth Battalion from Stanleyville to Kabalo in northern Katanga was reported to be a normal rotation of troops. The battalion it was to replace, however, is still in place, and the US and British military attachés believe that military

operations against Katangan ground forces in Kongolo could begin at any time.

Tshombé took a conciliatory line in a press conference on 27 July, but UN, US, and other diplomatic officials consider this another psychological warfare move. Expressing his "earnest desire" to resume negotiations with Leopoldville, Tshombé again called for Adoula to appoint his members to the four joint commissions agreed on in June to regulate the differences between Katanga and the central government, and urged that they report within three months. Tshombé still insists on a veto over the commissions' findings.

25X1

Tshombé is cocky and confident of his position. He told US Consul Hoffacker that Adoula was "afraid of Tshombé's competition" and was jealous of his power and authority, and told [redacted] that many people in Leopoldville would like to see him as the Congo's premier.

25X1

Meanwhile, anti-Adoula politicians, supported by Tshombé, are continuing their efforts to line up support. Former vice-premiers Jean Bolikango and Christophe Gbenye and former minister of justice Remy Mwamba have sought to enlist the backing of UN civil affairs chief Khiari and of the bishop of

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

Leopoldville, and on 29 July a delegation headed by Gbenye called on US Embassy officials to bid for US support. They said the Adoula government was illegal, criticized Adoula's handling of negotiations with Tshombé, and emphasized their anti-Communist orientation.

Partially as a result of consultations with his Congo Advisory Committee (CAC), composed of UN members who have contributed troops to the Congo operation, Thant now believes that the existing UN mandates give him sufficient authority to use economic pressures on Tshombé and to assist the central government's army in maintaining law and order "in all ways short of actual combat." Thant remains firmly opposed to any UN military initiative, however, and the CAC supports this stand. He intends to present a written report to the Security Council between 10 and 15 August on his plans for future action, and, according to Under Secretary Bunche, the UN is unlikely to take any "dramatic action" on the Congo before then.

UN, Belgian, British, and French reception to the US "package" proposals designed to end the Congo stalemate has been cool, with reservations on both timing and procedures. The plan calls for: a federal constitution granting reasonable provincial autonomy; Katangan representation in the central cabinet; Tshombé's agreement to give half of Katanga's mining revenue to the central government; and a

merger of the Katangan gendarmerie and Congo army. Thant agrees generally with the US proposals but doubts that Tshombé will seriously negotiate, and believes that Adoula cannot risk concessions without a more convincing demonstration from Tshombé of his readiness to reintegrate.

Brussels, London, and Paris, remain opposed to the UN's use of force, and are not ready to accept economic pressure against Tshombé. Belgian officials want to move very slowly on pressure tactics and oppose economic pressures which would be carried out by Belgium and Union Minière alone. Britain believes that the UN should be prepared to tell Tshombé that the UN military operation in the Congo would be transformed into an economic and technical assistance program should he agree to reintegrate. Paris officials have made it clear that France is not ready either to initiate or to join in any Western overtures to Tshombé and is anxious to curtail the UN's role.

Any hope that Portugal would exert economic pressures on Tshombé has been dimmed. Foreign Minister Nogueira has expressed doubts to US officials that the reasons for exerting such pressures are valid. Payment of Katanga's mining taxes to Leopoldville, he said, would not solve the central government's economic problems. Nogueira said it was immaterial to Portugal whether Katanga remained independent or part of a federated republic, but that the transit of Katangan ores through the port of Lobito was important to the Angolan economy and Lisbon would look with disfavor on any proposal to cease such shipments.

SECRET

3 Aug 62

WEEKLY REVIEW

Approved For Release 2008/07/08 : CIA-RDP79-00927A003700060001-7 15 of 23

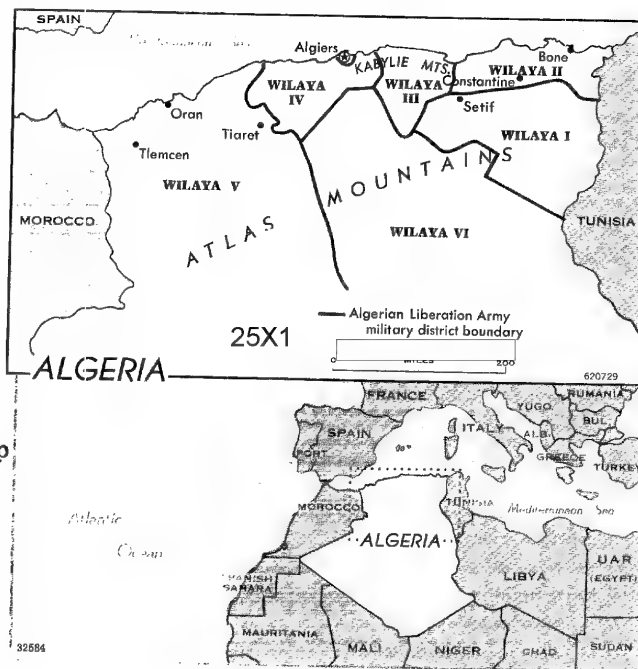
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ALGERIA**

The "full agreement" between Algerian political leaders announced on 2 August appears to be a temporary solution prompted by realization that the prolonged dispute had aroused public indignation. The compromise is favorable to Ben Bella, and Vice Premiers Belkacem Krim and Mohamed Boudiaf will probably continue to oppose his efforts to gain control of the country. They have powerful support--Krim among the Berbers, and Boudiaf among the Algerians in France. Political maneuvering will continue to hamper the restoration of effective government. Officers of the Algerian National Army (ALN), now conscious of their power as arbiters, may resist establishment of a civilian government which would reduce their personal power.

Terms of the compromise were announced in Algiers by Ben Bella's top assistant, Mohamed Khider. The seven-man political bureau formed by Ben Bella on 22 July will govern the country until a meeting of the National Revolutionary Council (CNRA) in "about a month." Meanwhile, elections originally scheduled for 12 August are to be held "probably on 27 August." In the past the collegial leadership of the Provisional Algerian Government (PAG) was often reluctant to take decisive action without a clear mandate from the CNRA, and the political bureau is unlikely to take the

vigorous steps necessary to revitalize the paralyzed administration and economy until the CNRA meets, or the power struggle is otherwise clearly resolved.

The troops of Wilaya IV, which occupied Algiers on 29 July, have stated that the city is open to all responsible Algerian leaders, and there is no indication that they will oppose the entry into Algiers of Ben Bella and the members of the political bureau. However, should Ben Bella attempt to enter at the head of ALN troops recently arrived in Algeria from Morocco, the troops of Wilaya IV--mostly units

**SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

which fought the war inside Algeria--might react strongly. Ben Bella reportedly realized on 26 July that he could not make a military advance through Wilaya IV without risking civil war, which he was not sure his troops would accept.

Ben Bella has claimed that the ALN troops which occupied Constantine on 25 July were not acting under his orders. The brief "arrest" of Boudiaf on 30 July by Wilaya I troops loyal to Ben Bella also appears to have been accomplished on the initiative of local commanders. ALN leaders in Wilaya I announced the creation of an "autonomous zone" for the city of Setif on 31 July. Moreover, ALN units have in effect been the local governments in large areas of the countryside following the French withdrawal both before and after the cease-fire agreement last March.

There are indications that Communist activity in Algeria has been increasing, aided by the almost complete paralysis

of governmental administration and law enforcement. The liberal ex-mayor of Algiers, Jacques Chevallier, told a US Embassy officer in Paris on 17 July that there is "no restriction whatever" on persons entering the country. The Algerian Communist party (PCA), now legal, has been attempting to present itself as a mediator in the dispute. On 27 July a party communiqué deplored the "hunger and misery" of the people and demanded that "patriots" form "committees of popular union."

The USSR and bloc countries continue to display a cautious attitude toward Algerian developments.

25X1

* * *

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

FRANCE-TUNISIA

The Paris consultations between Tunisian Defense Secretary Ladgham and President de Gaulle in July apparently convinced Ladgham that the Bizerte naval base is no longer of military interest to France and will soon be evacuated. Although De Gaulle did not set a specific date for evacuation [redacted]

aid in converting the base to commercial and industrial uses French Foreign Ministry officials allegedly are not sure such aid will be forthcoming because both the French military and De Gaulle seem to have lost interest in Bizerte [redacted]

25X1

Both countries have hinted that the consultations and resultant agreements have been prompted in part by the Algerian situation. The French Government apparently believes it would be detrimental to withdraw from Bizerte directly after granting Algeria independence and prior to the formation of an Algerian government. The embassy believes that concerns over Algeria are playing some part in France's attitude toward its former protectorates on Algeria's flanks. Tunisian President Bourguiba also desires to regularize relations with France to bolster his position against the possibility of an Algerian government under leadership which would be more radical than the group with which he cooperated prior to independence.

The southern portion of the Bizerte base already has been turned over to Tunisia, and the rest of the base has been almost completely evacuated so that an actual agreement would be largely a formality. Although the Tunisian Government hopes for French technical

Bourguiba has publicly interpreted Ladgham's consultation as the successful culmination of his policy of pressing for total French withdrawal, but he is not hopeful of eliciting assistance from France on a scale large enough to alleviate the economic stagnation in the Bizerte area resulting from the closing down of base facilities. He is also fearful that France may pull out its forces completely without concluding even a pro forma agreement, thus depriving him of a hoped-for moral victory.

The renewal of diplomatic relations, which were broken off in July 1961 when French and Tunisian forces clashed at Bizerte, will probably be consummated with an exchange of ambassadors in September, after which remaining problems are to be discussed and resolved through normal diplomatic channels. These include details involved in the transfer of Bizerte, indemnification of French property owners, status of French nationals resident in Tunisia, and renewal of commercial and financial agreements. [redacted]

25X1

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

EUROPEAN POLITICAL UNION DEVELOPMENTS

25X1

Belgian Foreign Minister Spaak, who was largely instrumental last April in blocking further consideration of the draft treaty for a European political union, has attempted in recent weeks to find a basis for resuming the treaty talks. On 18 July, some 30 political leaders from the Common Market (EEC) countries, Britain, and Scandinavia met with Spaak in Brussels to discuss unofficially ways of restoring momentum toward political union. It was the consensus of the meeting that a middle way must be found between the "unacceptable" draft treaty and the "unrealizable" ambitions of the federalists.

Spaak's new "plan" for bridging this gap is to concentrate on the establishment of a European political commission which would serve as the "focal point" for political integration. For an interim period of perhaps three years, this commission would not have supranational powers, but its members would have the status of international civil servants. Their main purpose would be to make technical studies of the problems of political union, maintain liaison among the participating governments, and generally to provide the kind of "activating force" in the political sphere which the EEC Commission has provided so effectively in the Common Market.

Since the Brussels meeting, Spaak has obtained strong Netherlands support for his new approach

De Gaulle's attitude is not yet clear. Spaak has in effect conceded De Gaulle's main point that a federal Europe cannot now be negotiated, and his proposal for a political commission bears some surface resemblance at least to the old Gaullist idea of a secretariat servicing a loose confederation. Nevertheless, the Belgians remain apprehensive. Couve de Murville gave Spaak no clues as to his thinking when they met on 25 July, and on 31 July a Belgian Foreign Ministry source told the US Embassy in Brussels that he did not think there was "much chance" De Gaulle would agree.

Even if De Gaulle were to agree to negotiate on the Spaak plan, tricky procedural problems would remain. A British Foreign Office official told an American Embassy officer on 30 July that while London is "encouraged" by Spaak's initiative and views favorably his proposal for a political commission, Britain nevertheless still wishes an opportunity to participate in the political union discussions before final agreement is reached. He implied, moreover, that it would ease Macmillan's domestic political problems regarding EEC entry if these discussions dragged on into October. Belgium and the Netherlands have long been loath to present London with a fait accompli in the form of an agreed political treaty, but De Gaulle and Adenauer both feel that direct British participation in the political talks could give London the position of "arbiter."

25X1

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

INCREASING PORTUGUESE PROBLEMS WITH OVERSEAS TERRITORIES

Increasing problems in connection with Portugal's overseas territories are aggravating frictions within the Salazar regime. A near political crisis in Angola, together with increasing signs of unrest in Portuguese Guinea and dissatisfaction in Mozambique, has strained relations between Prime Minister Salazar and Minister for Overseas Territories Moreira. If Salazar continues to block Moreira's reform program, unrest will increase in the territories. This in turn will increase opposition to Salazar in Portugal.

On 21 July the overseas minister, reportedly under pressure from Salazar, annulled a decree by Angolan Governor General Deslandes establishing an Angolan provincial university. The governor general resigned in protest, but at Lisbon's request agreed to remain, although he insisted that in promulgating the decree he had acted within his competence as supreme commander over Angola.

The prospect of a crisis in Angola as a result of this episode subsequently impelled Lisbon to authorize a local university after all, but one which would be under strict control from the metropole. At the same time the government authorized establishment of a similarly tightly controlled university in Mozambique, where it had sent the subsecretary for overseas territories during the first half of July to discuss local dissatisfaction with Portuguese government policies.

This incident seems to constitute a repudiation of

part of Moreira's program by Salazar, and calls into question Moreira's political standing in the regime, as well as that of his protégé, Governor General Deslandes. Moreira's political rivals--such as former Defense Minister Santos Costa, who, like Moreira, is reportedly ambitious to replace Salazar but seems to be a member of the antireform lobby--are likely to attempt to exploit Moreira's discomfiture.

In Portuguese Guinea, armed clashes between nationalists and Portuguese troops are reported to have occurred.

25X1

[redacted] officer recently returned from the area expressed pessimism over his government's ability to hold the territory.

Portugal's African problems are also continuing to influence its foreign policies. Controversy has arisen in the UN's Economic and Social Council--many members of which disapprove of Lisbon's African policies--over Portugal's membership in the Economic Commission for Africa. Portuguese moves to gain support in the UN from the US on this and similar issues appear to be attaining the proportions of a campaign.

25X1

[redacted] granted permission to the Chinese Communists to send a mission to Angola. Portuguese officials have also hinted broadly that Lisbon's approach to the forthcoming negotiations on the Azores base agreement with the US will be influenced by UN considerations.

25X1

25X1

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

PERU

The military junta which seized power in Peru on 18 July seems firmly established and in control of the domestic situation. It has received pledges of support from all influential groups except APRA, which reportedly has decided to confine its opposition activities to "political" criticism.

The failure of the general strike called by APRA for 23 July marked the end of effective resistance to the new regime. All political parties except APRA have accepted the junta's promise of free elections in 1963 as evidence of its good intentions. The business community, including US businessmen, regards the junta as a stabilizing influence and is supporting it. The Communists and other supporters of Fernando Belaunde Terry have welcomed the takeover because of the military's opposition to APRA. Belaunde himself, however, has reportedly withdrawn into semiseclusion and may no longer be a political factor.

APRA, in adopting a policy of nonviolent political opposition, probably hopes that it can regain its former militancy and discipline before the 1963 campaign. Aprista leader Victor Raul Haya de la Torre is in hiding as a symbolic protest against the junta. He plans to address a party convention in August, presumably to outline plans for APRA's future. Some reports indicate that he intends to be a presidential candidate again in 1963; these have not been confirmed by Haya, who realizes that he may be prevented from doing so by the military. Meanwhile, APRA representatives have been negotiating with the junta

because, they claim, APRA leaders believe the junta must be educated to Communist infiltration tactics--to which APRA has been exposed for many years-- in order to prevent a Communist victory.

The release of President Prado on 29 July removed what most European governments viewed as the major barrier to recognition of the new regime. By 31 July, nine western European governments had re-established diplomatic relations with Peru, and others are expected to do so shortly. Tokyo and Taipei announced recognition on 1 August. The Latin American nations are almost evenly divided between those favoring recognition and those opposed, but thus far none except Haiti has announced recognition. A Venezuelan proposal to the Organization of American States (OAS) for a meeting of foreign ministers to adopt some form of collective action against Peru now seems unlikely to be adopted, but the OAS may call for an investigation by the Inter-American Peace Committee (IAPC). If the matter is referred to the IAPC or, as has been proposed by the US, to a special committee set up for the task, most of the OAS nations, anticipating a favorable outcome of the investigation, probably will re-establish diplomatic relations.

Although the junta leaders have denounced OAS action "for public consumption," a spokesman claimed in private that the junta recognizes the advantages of seeking a formula for resolving the situation and is prepared to be flexible. The junta is said to be willing to invite OAS observers to Peru in order to avoid possible disputes within the OAS council.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****PROSPECTS FOR THE NEW ADMINISTRATION IN COLOMBIA**

President-elect Guillermo Valencia of Colombia assumes office on 7 August, succeeding Lleras Camargo for a four-year term. Valencia was elected as the candidate of the National Front coalition which re-established constitutional rule and restored political stability to Colombia after the overthrow of dictator Rojas Pinilla in 1957. Under the National Front system, the two major parties--Conservatives and Liberals--agreed to share all elective and appointive offices on a parity basis and to alternate the presidency every four years until 1974.

Valencia--a 54-year-old Conservative of aristocratic background--is committed to the strongly pro-Western, progressive policies of the preceding Lleras administration. However, while Lleras succeeded in minimizing the traditional Conservative-Liberal hostility and gained the cooperation of leaders of both parties, Valencia lacks the prestige and widespread support of his predecessor and may have difficulty in maintaining cohesion in the coalition. There is a general lack of confidence in his executive ability, and many Liberals may be reluctant to cooperate with him.

The government coalition will have the advantage of a congressional majority strengthened in the March 1962 elections. Antigovernment minority factions of both major parties have been weakened by internal dissension and are unlikely to be effective in their efforts to obstruct administration programs.

The new administration will be under pressure to al-

leviate the chronic rural violence which has plagued Colombia since 1948 and continues to cause more than 200 deaths each month. Most of the estimated 75 criminal bands now active are apolitical, but there is increasing evidence of Communist efforts to organize them into a coordinated revolutionary movement. Although there is no immediate threat of widespread insurgency, leftist subversive activities are likely to increase.

Colombia has made substantial advances toward industrialization and export diversification, but faces a serious balance-of-payments deficit which may reach \$130 million in 1962, according to official estimates. The government is attempting to reduce imports and is urgently seeking an international agreement aimed at stabilizing the world coffee market from which Colombia derives most of its foreign exchange earnings. Failure to halt the continuing decline in coffee prices could cause a financial crisis in the near future.

Colombia has enthusiastically endorsed the Alliance for Progress, and Valencia is expected to continue the vigorous reform program initiated by President Lleras. The incoming administration's effectiveness in fulfilling the reform goals of the "General Plan for Economic and Social Development" will determine to a great extent whether Valencia will allay the current apprehension concerning the political future of the country. 25X1

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

CUBA'S 26 JULY CELEBRATIONS

This year's celebrations of the ninth anniversary of the Cuban revolution--which the Castro forces date from an abortive attack on an army fortress in Santiago on 26 July 1953--brought few surprises and contained most of the elements that have usually been associated with the celebration of previous Castro regime holidays.

Fidel Castro's 26 July speech in Santiago de Cuba was largely devoted to a reiteration of standard propaganda themes: the invincibility of the revolution; the necessity for a strong worker-peasant alliance; the honest mistakes made by inexperienced revolutionary leaders; and the "glories of socialism" and its beneficences to come. He also trotted out familiar, emotionally delivered charges of an impending US attack and vowed that the territory of the Guantanamo Naval Base will be regained by Cuba through legal means.

The speech contained one new note: in commenting on domestic shortages of shoes, clothing, refrigerators, and other items not now rationed, Castro implied that the rationing system would be extended so that in the future the "organized workers and poor peasants" would get first consideration in the distribution of such products.

No estimate of the size of the crowd that listened to Castro is yet available, but

the Guantanamo Naval Base reports that on the day of the speech only 588 of its 3,000 Cuban workers were absent, of whom 381 had been previously authorized to take leave. The previous year, when the 26 July festivities were centered several hundred miles away in Havana, almost half the workers were absent.

Celebrations of the 26 July anniversary abroad were generally quiet and routine. Government and party leaders in most bloc countries sent congratulatory messages to Cuban leaders, most of which contained passages commending Castro's leadership and citing his regime's ideological location on the "road to socialism." During a Cuban Embassy reception in Moscow, presidium member Frol Kozlov said that "the old warnings addressed to the imperialists are still in effect"--thereby indicating that there has been no recent redefinition of the Soviet Union's vaguely worded threat of military assistance to Cuba in the event of US aggression there. The Chinese Communists topped Moscow's gesture by sending Premier Chou En-lai to speak at the Cuban Embassy reception in Peiping.

In Latin America, pro-Castro celebrations on 26 July were generally quiet and orderly. About 4,000 people attended the one in Montevideo, where Cuban leaders Armando Hart and his wife Haydee Santamaria gave speeches. Elsewhere in the hemisphere the festivities were small and received little publicity.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SPECIAL ARTICLES****KHRUSHCHEV TIGHTENS CONTROLS OVER SOVIET FARMS**

This March Khrushchev institutionalized party control over the countryside and further centralized farm management in order to obtain a streamlined administrative machine directly responsible to him and capable of executing his agricultural policies. Like the clumsy bear, donkey, monkey, and goat in a popular Russian fable who keep changing their seating arrangement in the hope of perfecting their musicianship, he is counting primarily on his reorganization to produce a dramatic upswing in farm output. The reorganization is unlikely to accomplish this, however, because it is mainly a reshuffling of existing personnel and because agriculture requires a high degree of flexibility to take advantage of local conditions. Like its predecessor, the new system has already been blamed for farm shortcomings which will undoubtedly persist until the regime exchanges bureaucratic reshuffles for realistic plans, fertilizer, and greater incentives.

Previous Management Systems

After Stalin's death Khrushchev took several steps to increase adaptability to local conditions and to stimulate initiative on the farms. In 1955 collective farms (kolkhozes) were at least nominally given discretion to decide on crop acreages. In 1958 the Machine-Tractor Stations (MTS) were abolished and the administrative control they had previously exercised over the collective farms was parceled out to district (rayon) agricultural departments under the jurisdiction of the Ministry of Agriculture. At the same time rural party committees (subject to a hierarchy of party agricultural

departments) continued to play a major role in agriculture, appointing farm leaders, directing the party units which by now existed on virtually all farms, and supervising production. A plethora of other local organs with ill-defined and overlapping functions also concerned themselves halfheartedly with various facets of agricultural management.

The blurring of authority which accompanied these changes increased what Khrushchev has now denounced as a "drift in agricultural leadership." Widespread fraud and mismanagement and repeated failure to meet ambitious plans continued.

After 1958 there was an almost continual debate in Soviet journals on the question of agricultural organization. Some leaders proposed a republic or national hierarchy of kolkhoz associations or "unions" to simplify farm administration and pool resources. This politically explosive scheme was never adopted, however, apparently because the regime feared it would strengthen the peasants' parochial interests at the expense of state control. Other officials proposed closer ties between collective and state farms at the rayon level. Farm leaders repeatedly complained about excessive interference from local party hacks and urged greater autonomy for the farms.

Khrushchev's 1961 reorganization did not answer the basic organizational questions which had been raised in the debates, and it failed to stimulate production. The Ministry of Agriculture--already weakened by earlier reforms--was divested of responsibility for farm

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

administration and machinery repair. These functions were scattered among several government organizations including a new Agricultural Machinery and Supply Association called Selkhoztekhnika and a new All-Union State Committee for Agricultural Procurement. As a result there was no single organization clearly in charge of agriculture. The Ministry of Agriculture was reduced to directing agricultural research and educational establishments.

Following the administrative re-juggling, penalties for economic crimes were strengthened, and a widespread cleanup of local "mutual protection" cliques which had fostered these abuses was initiated.

Present System

A third mediocre harvest prompted Khrushchev in March 1962 to push through a new arrangement for the farm management hierarchy at a party central committee plenum. This reorganization strengthened and formalized the party's dominant role in farm management to a greater extent even than during the Stalinist period.

Nominally topping the pyramid is an All-Union Agricultural Committee coordinating the separate agencies to which agricultural responsibilities had earlier been diffused. Headed by a deputy chairman of the USSR Council of Ministers, the committee unites the chiefs of the party central committee's agriculture department, the USSR Ministry of Agriculture, the State Procurement Committee, Selkhoztekhnika, and the agricultural sections of the state planning agencies. According to Khrushchev, the All-Union

Agricultural Committee will not be directly concerned with production but will check on the fulfillment of party and government decrees, especially in regard to farm machinery. The party presidium--particularly Khrushchev himself and his chief agricultural aide, G.I. Voronov, who has spearheaded the current reorganization--will continue to decide agricultural policy.

The real power centers of the new structure appear to be the republic-level agricultural committees and their counterparts at the provincial (oblast) level. They have been given full powers to see to the fulfillment of agricultural plans and promote long-range agricultural development. The agricultural agencies in each republic are represented on the republic's agricultural committee. At Khrushchev's insistence, this committee is headed by the republic party first secretary, rather than a lower ranking secretary previously in charge of agriculture, so that the entire republic party organization will bear full responsibility for farm production. Several of these republic bosses sit on the all-union party presidium, thus outranking N.G. Ignatov, the head of the All-Union Agricultural Committee who lost his seat on the presidium last October.

Each republic also has a Ministry of Agricultural Production and Procurement with directorates at the oblast and inter-rayon (a new unit encompassing several rayons) levels. The ministry's head serves as deputy chairman of the republic agricultural committee and in most cases is also first deputy chairman of the Republic Council of Ministers. Through the inter-rayon directorates the ministry

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

is responsible for day-to-day supervision of work on the farms.

For the first time the party boss in each territorial unit from the republic through the oblast level will be not only a formal part of the state administrative machinery for agriculture but also the man in his area directly in charge. The forerunner of this new organizational departure may have been the 16 regional councils which last year formalized the direct participation of the party in industrial management. Previously, the regime had carefully kept the government machinery institutionally separate from that of the party.

Territorial Production Directorates

Some 960 territorial production directorates have been created as the crucial links in the new chain of command. Most of them encompass an area of from three to six rayons and include about 30 to 60 farms. Both collective and state farms were put under this one local organizational umbrella, a step which may bring closer the regime's goal of a unified system of state agricultural "factories."

The directorates are responsible for on-the-spot direction of all farm activities--production plans, crop structures, state procurement deliveries, incentives, technological advances, farm accounting, and assignment of trained cadres. Inspectors--each responsible for three to six farms--will implement these wide-ranging duties with the help of the directorate's "small but efficient" pool of farm specialists. The directorates are expected to substitute personal conferences in the fields for

the endless stream of paper directives which formerly issued from city headquarters.

Khrushchev recommended to the March plenum that a party organizer (partorg) be added to each territorial production directorate along with a phalanx of party and komsomol assistants. The partorgs are intended to operate as on-the-spot plenipotentiaries of the republic or oblast party committee. Khrushchev specifically recommended as a model the powerful head of the old MTS political section who played a vigorous role in supervising the whole range of individual farm operations, frequently interfering with the MTS directors' prerogatives. Moreover, an April 1962 decree gave the partorgs explicit responsibility for those agricultural matters which had been assigned to the directorate and in addition made them virtual overlords of the whole interrayon area. Khrushchev thus hopes to achieve fast results in agriculture by relying on a vigorous party boss at the local as well as the republic level.

Each directorate has a council chaired by the directorate chief and including the partorg, farm heads, and heads of all the local units concerned with agriculture. Such a large group, meeting only every three months, however, is mainly a democratic facade.

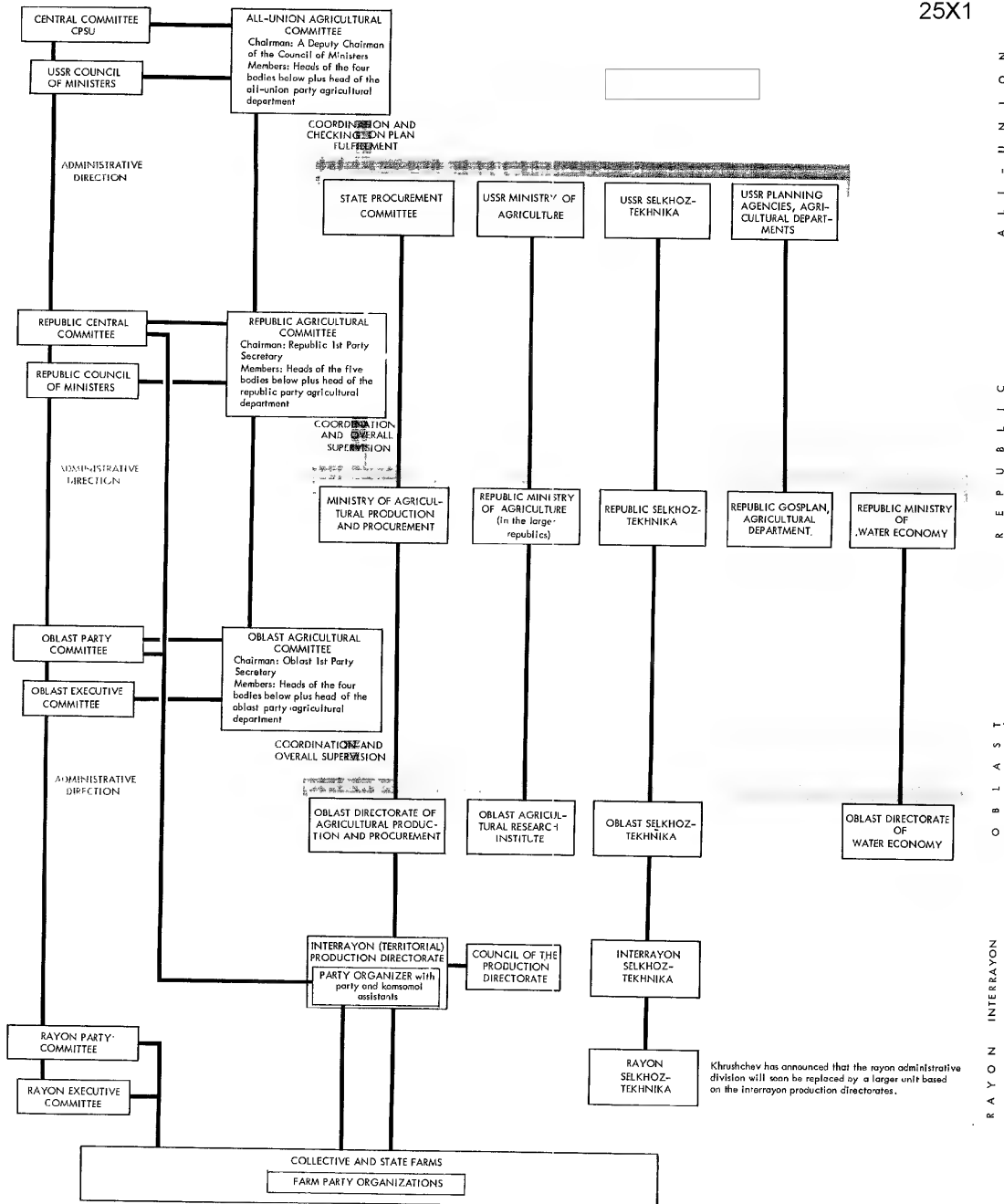
Staffing the New Agricultural Organization

Khrushchev has said that the success of the new agricultural management system depends upon the selection of experienced, well-trained cadres. In fact, however, the reorganization has so far simply reshuffled men long involved in

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****KHRUSHCHEV'S AGRICULTURAL MANAGEMENT HIERARCHY**

25X1



25X1

620727 2

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

agricultural management. Heads of some organizations criticized by name still retain their posts. The press has already attacked "conservative" bureaucrats who have failed to substitute a vigorous new approach for time-honored red-tape methods.

In most republics long-time agricultural bosses were promoted to the combined posts of first deputy chairman of the Council of Ministers and minister of production and procurement. Most of the heads of republic selkhoztekhnikas, water economy ministries, and the remaining republic ministries of agriculture were retained in office. Although Khrushchev specifically recommended that party agricultural departments be restaffed, at least six republic department heads kept their posts. At the local level almost half of all rayon first secretaries have been tapped to head production directorates and fill almost all of the partorg positions.

It was Khrushchev's intent that the best trained and most experienced local administrators be concentrated in the new inter-rayon directorates where their talents could benefit a larger area. He himself had pointed to the chronic shortage and rapid turnover of qualified personnel as a major drag on agriculture. In some republics less than a third of the agricultural specialists are willing to work in agriculture, and many of these are ensconced in comfortable urban desk jobs.

Friction at the Local Level

Khrushchev's decision to transfer responsibility for farm management to a new interrayon unit aroused considerable dis-

satisfaction, especially among local officials whose vested interests were threatened.

Overlapping responsibilities quickly set the entrenched rayon party and government committees at cross purposes with the directorates and their partorgs. The rayon leaders either abdicated all responsibility for the farms or continued to manage the farms themselves, duplicating or countermanding the work of the directorates. Some rayon and oblast committees have tried to make the directorates into subordinate bureaucratic adjuncts or to sabotage them.

Khrushchev cut this Gordian knot by making public on 27 June an earlier presidium decision that the rayon structure would soon be replaced by a larger administrative unit based on the production directorates. He made it clear that in the interim the directorate is "the main and only leading organ of farm production" accountable only to higher party and government organs. He further declared that the partorgs have complete authority over farm party organizations and that the rayon party first secretaries should be made their deputies.

This more centralized system of farm management under strict party control will probably prove deleterious to agriculture. Local bosses will have to be more responsive to centralized directions for over-ambitious targets, regardless of local conditions or the long-range needs of the area. Collective farm managers are certain to resent the increasing pressures which will be brought to bear on the farms.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

STRATEGIC HAMLETS AND COUNTERINSURGENCY IN SOUTH VIETNAM

In its effort against the Viet Cong insurgents, South Vietnam is emphasizing measures aimed at isolating Viet Cong troops from the peasantry, tightening security and expanding government control in the countryside, and releasing additional army troops from static defense duties for offensive actions. One of the key measures is the creation of strategic hamlets--small fortified communities with some self-defense capability--now being pushed nationally on a crash basis.

The 2,400 strategic hamlets reportedly completed so far vary widely in their effectiveness. Unlike other programs to which the name has been loosely applied, the strategic hamlet program is being implemented largely by local authorities using local resources. It suffers from lack of well-defined geographic priorities, and from failure to be integrated into regional and provincial military planning. Steps are being taken to overcome some of the weaknesses in the program.

Background

The strategic hamlet program and related rural pacification programs are in part an outgrowth of earlier measures by the Diem government to consolidate its control. Among these measures were the creation of "resettlement centers" for nearly 1,000,000 refugees from Communist North Vietnam as well as for assimilated minority tribes from the central highlands, and "land development centers" in the highlands to expand government authority into this remote, undeveloped region and to relieve population pressure along the coast.

In late 1959, a program was started to group isolated peasants in the Mekong delta provinces south of Saigon into new towns, called "agrovilles," where they could be protected

from growing Communist dissidence and enjoy improved living standards. The program was quietly halted in mid-1961 after the completion of 29 of a planned 60 new towns, largely because of peasant resistance to forced labor for construction and to forced abandonment of ancestral lands. The government began to turn its attention increasingly to the hamlet, the smallest and most vulnerable community unit, where some local authorities were already building their own defenses.

Strategic Hamlet Program

The decision to promote a nationwide self-defense effort at the hamlet level was made in January 1962, and an Interministerial Committee for Strategic Hamlets was set up under the direction of President Diem's brother and chief political adviser, Ngo Dinh Nhu. National guidance is provided by the Ministry of Interior, cooperating with such ministries as Health and Civic Action--the latter responsible for youth and information activities. Courses have been set up to train civic action teams in organizational, propaganda, and intelligence operations. Although local committees have been created by the various province chiefs, actual responsibility for establishing strategic hamlets rests with lower level district, village, and hamlet chiefs.

A strategic hamlet is essentially a small fortified community, surrounded by defensive works, with a formal administration and an organized security system embracing its inhabitants. The program is currently developed almost entirely around existing hamlets which contain from 100 to 200 families and is applied in stages: construction of fencing or other fortifications, establishment of access controls to weed out Viet Cong agents, creation of a local

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

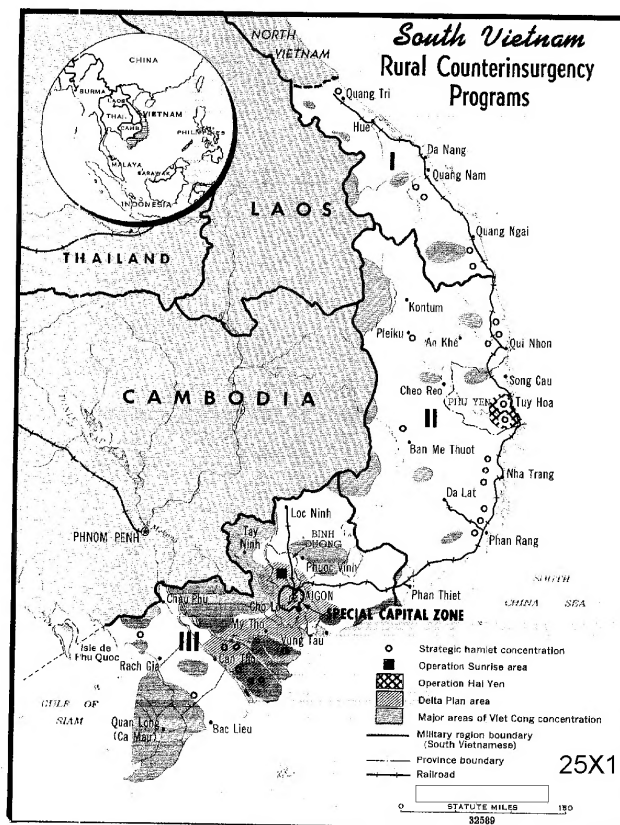
self-defense system, and the election of a hamlet council. A government document suggesting procedures for establishing strategic hamlets indicates that government cadres are to try to influence these elections. An effort is made to link defense and warning systems to nearby hamlets and the village of which they may be components and, with the assistance of the civic action teams, to improve living standards. In the present early stages of the program, some hamlets are relying on protection from local Self-Defense Corps troops or units of the Civil Guard, but arms are gradually being distributed to reliable male inhabitants.

Defended Villages

Another government concept also involves fortified, organized communities known as defended villages. It is being applied in several projects of varying scale and name--usually in areas under considerable Communist influence--which have in common the feature of regrouping or resettling populations in new villages. Regroupment is to be by persuasion if possible but may require force where peasants are strongly sympathetic to the Viet Cong.

Among examples of voluntary projects is the defended enclave at the extreme southern tip of South Vietnam settled by refugees from China under the leadership of a priest, Father Hoa. This settlement has developed a paramilitary force, the Sea Swallows, actively engaging the Viet Cong in combat. Another voluntary type of defended village project is a group of small resettlement centers for tribesmen near Ban Me Thuot, where an effort is being made gradually to expand the area of government control.

The most publicized defended village project is Operation Sunrise, a coordinated



military and civilian operation begun in Binh Duong Province to the north of Saigon. Operation Sunrise started with military operations to clear the area of Viet Cong concentrations, after which villagers were rounded up to construct new villages in more defensible areas. An effort is being made through information programs to explain to the peasants the reasons for the regroupment and the advantages to be gained in the defended villages. Three such villages have been built, and clearing operations started for a fourth. Under South Vietnam's administrator for the southeastern provinces, Operation Sunrise relies on troops made available by the province chief and the regional army division. Resettled peasants, although provided food and subsidy payments, construct their own villages. At least initially, the project attracted few males

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

of military age. Operation Sunrise, launched in a Viet Cong stronghold between two Communist base areas, has not been attacked, but harassment of army troops has occurred in several ambushes nearby.

Operation Hai Yen

A more comprehensive military-civilian program called Operation Hai Yen is under way in the central coastal province of Phu Yen, a less afflicted province but vital to the maintenance of north-south communications. Under the direction of the Second Corps commander, this program is integrated into provincial military planning in three phases, moving from government-controlled to Viet Cong - controlled areas. Working outward from the rice areas around Tuy Hoa, where strategic hamlets have been constructed, military operations are proceeding in the second phase to less secure areas where many peasants will be resettled in defended villages. The program now is encountering increased Viet Cong military resistance, but its relative success so far has established it as a prototype for planning in two other provinces to the north.

Delta Pacification Plan

A broader plan, drafted with British assistance to incorporate experiences of counter-insurgency in Malaya, aims at gradual pacification of the Viet Cong - infested Mekong delta provinces. Somewhat akin to Operation Hai Yen, the plan would involve military "clear and hold" operations as well as the strategic hamlet and defended village concepts in an entire region covering most of ten provinces which are the responsibility of two army divisions in the Third Corps.

The plan would seek first to secure control of provinces along the Mekong River and then to clear the Cambodian border

area. Eventually it would free Civil Guard and army units for mobile operations at the provincial and regional levels. The delta plan has been incorporated into Nhu's Interministerial Committee for Strategic Hamlets, but some of its original provisos concerning command responsibility and compensation payments have been ignored, and it has not yet received promised priority.

Weakness in the Strategic Hamlet Program

The Diem government is displaying growing awareness of the need to enlist public cooperation and to develop clear priorities for its limited resources if it is to move ahead with broad pacification plans. As a result of the haste with which the strategic hamlet program has been pushed, many of the hamlets have no defenses other than bamboo fencing, and some are reported to be infiltrated or influenced by Viet Cong elements. In several recent instances, guards are reported to have assisted the Viet Cong in attacking the hamlets or destroying defenses.

Although some hamlets are virtual fortresses and the inhabitants are reported enthusiastic, in others peasant resentment has been aroused by arbitrary requisitions of labor and money, by curfew systems which reduce the time spent working their fields, and by suspicions that district chiefs are extorting hamlet funds. A recent government communiqué invited the hamlet populations to submit complaints, and the Interior Ministry has set up a committee to ensure remedial action. One assistant district chief has been arrested for abuses.

Of more than 16,000 hamlets in South Vietnam, the government hopes to make about 7,000 of them "strategic" by the end of 1962. Ngo Dinh Nhu apparently expects that, in the early stages, many will be

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

attacked, but he believes eventually they will help to identify the Viet Cong in rural eyes as the enemy. He also believes the hamlet defenses will gradually force the Viet Cong to attack in larger concentrations, leading to more conventional combat with government troops.

Starting first in relatively safe areas, the program is to be expanded into less secure areas, requiring some population resettlement into defended villages. As a long-range plan, Nhu hopes to re-establish some agrovilles on the fringe of Communist base areas. This expansion of the program will require greater coordination with military operations than is now the case. Saigon recently took a step toward remedying this weakness by creating strategic hamlet committees in each army division zone, with the division commander as chairman and province chiefs in the zone as members.

Strategic Hamlets Change

Nhu has also promoted the idea that strategic hamlets might serve as a vehicle for radical changes in South Vietnamese society through administrative reforms and benefits at the hamlet level--previously a neglected area of national authority. The program would provide a practical application of the government's vague philosophy of "personalism," which Diem and Nhu regard as an alternative to both Communism and Western liberalism. Strategic hamlets have been proclaimed as the answer to "Communism, poverty, and disunity," and Nhu has talked of replacing the traditional social order, dominated by landlords, with a new one favoring anti-Communist fighters, their families, and productive workers.

Internal Criticism

Some government officials feel that the program fails to meet the needs of the emergency. Among them is Ngo Dinh Can, another brother of President Diem and the dominant political figure in the central and northern part of the country. Can, whose relations with Nhu have long been

characterized by an undercurrent of friction, is promoting a different approach which he calls "Popular Forces," well-trained and armed political cadres to work with the peasants against the Viet Cong. Sources close to Can have criticized the "superficial" planning of the strategic hamlet program and claimed many such hamlets in central Vietnam are under Communist control. Recent reports, however, indicate that Can and Nhu feel that both approaches can operate simultaneously with mutual advantage.

In the central and northern region, a growing number of mountain tribesmen now are reported to be seeking government protection. These tribesmen are probably motivated in part by Viet Cong harassment and competition for food and in part by concern over expanding war operations. They confront the government with a substantial refugee problem as well as a challenge to win the loyalty of minority groups long exposed to Communist influence.

Vulnerability of Hamlets

Communist propaganda has revealed extreme sensitivity to both the strategic hamlet and defended village projects--described as "herding the people into concentration camps." Scattered attacks have occurred against many strategic hamlets, as well as against the larger agrovilles and land development centers. During July the Viet Cong proclaimed a campaign to destroy strategic hamlets. Reports and captured documents indicate that the Communists are devoting considerable effort to coping with the program.

In the present stage, there is little question that many strategic hamlets are ineffective against attack or Communist infiltration. Since the purpose is to control as well as to protect the peasants, hostility to the program in some cases may encourage cooperation with the Viet Cong. While the program has continued to move ahead, Communist efforts to destroy it are likely to intensify, and continued lack of coordination with other counterinsurgency measures adds to its vulnerability. 25X1

SECRET

Page Denied